

RURAL WATER DISTRICT NUMBER 3

Sedgwick County

Mulvane, Kansas

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

December 31, 2019 and 2018

RURAL WATER DISTRICT NUMBER 3
Sedgwick County
Mulvane, Kansas

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Year ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 3
Sedgwick County
Mulvane, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 3, Sedgwick County, Mulvane, Kansas, as of and for the year ended December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

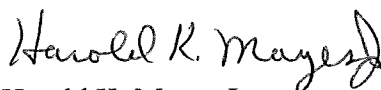
Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the business-type activities of Rural Water District Number 3, Sedgwick County, Mulvane, Kansas as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rural Water District Number 3, Sedgwick County, Mulvane, Kansas has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's basic financial statements. The revenues and expenses compared to budgets (Schedule 1 listed in the table of contents) are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, revenues and expenses compared to budgets are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Harold K. Mayes Jr
Agler & Gaeddert, Chartered
Ottawa, Ks.
February 20, 2020

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

ASSETS			
Current Assets		2019	2018
Cash Collection	\$	138,996	\$ 145,455
Cash Operations		126,742	260,734
Petty Cash		300	300
125 Plan Cash		8,589	8,075
Money Market		136,389	21,418
U.S. Government Securities - amortized cost		1,995,917	2,066,155
Accounts Receivable		112,993	113,535
Accrued Interest Receivable		20,340	19,218
Inventory		59,441	69,115
Total current assets		<u>2,599,707</u>	<u>2,704,005</u>
Property, Plant and Equipment			
Land		96,596	96,596
Utility Plant		7,602,795	7,511,706
Improvements		48,550	48,549
Equipment		552,406	479,291
Office Furniture & Equipment		75,468	75,468
Vehicles		172,722	172,722
Building and Improvements		501,785	501,785
		<u>9,050,322</u>	<u>8,886,117</u>
Accumulated Depreciation		<u>(4,744,861)</u>	<u>(4,498,822)</u>
Total Property Plant and Equipment		<u>4,305,461</u>	<u>4,387,295</u>
Other Assets			
U.S. Government Securities - amortized cost		2,524,338	1,938,767
Brec Credit		7,166	7,166
		<u>2,531,504</u>	<u>1,945,933</u>
Total Assets	\$	<u><u>9,436,672</u></u>	\$ <u><u>9,037,233</u></u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

LIABILITIES AND NET POSITION

	2019	2018
Current Liabilities		
Water Bill Payable	\$ 36,188	\$ 43,821
Water Programs Payable	866	849
Tower Painting - current portion	60,262	60,261
Sales Tax Payable	294	290
SUTA Accrued	<u>65</u>	<u>61</u>
Total Current Liabilities	<u>97,675</u>	<u>105,282</u>
Long-term Liabilities		
Tower painting - long-term	<u>0</u>	<u>60,262</u>
Net Position		
Invested in Capital Assets, net of related debt	4,305,461	4,387,295
Unrestricted Net Position	<u>5,033,536</u>	<u>4,484,394</u>
Total Net Position	<u>9,338,997</u>	<u>8,871,689</u>
Total Liabilities & Net Position	<u><u>\$ 9,436,672</u></u>	<u><u>\$ 9,037,233</u></u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31,

	2019	2018
Operating Revenues		
Water Sales	\$ 761,996	\$ 762,404
Monthly Minimum	706,977	695,027
Penalties	21,030	20,230
Other Fees and Receipts	5,284	6,127
Total Revenues	<u>1,495,287</u>	<u>1,483,788</u>
Cost of Sales		
Cost of Water	8,551	755
Cost of Pumping	3,305	3,761
Cost of Chlorination	0	468
Cost of Water-Wichita	468,123	497,913
Clean Drinking Water	3,621	3,862
Total Cost of Sales	<u>483,600</u>	<u>506,759</u>
Gross Profit	<u>1,011,687</u>	<u>977,029</u>
Operating Expenses		
Wages - Total	247,544	221,818
Meter Readers	30,716	30,157
Payroll Tax Accountant	19,917	18,239
SIMPLE Match	8,264	7,302
Fuel & Vehicle Maint.	12,756	13,081
One Call Locations	3,020	2,785
Legal Fees	22,940	27,073
Engineering Fees	6,155	11,218
Accounting & Auditing	5,746	14,674
Contract Repairs	13,011	74,866
Repair Supplies	13,717	12,310
Tower Lights	3,588	2,798
Propane	2,540	2,699
Telephone	5,061	4,488
Office & Software	16,768	11,870
Postage	9,667	9,958
Insurance & Bonds	29,917	29,586
Employee Benefits-Insurance	68,016	55,157
Miscellaneous	8,924	4,526
Christmas & Meetings	9,185	9,455
Reimbursed Expenses	4,750	4,500
Dues and Fees	5,500	5,043
Real Estate Tax	13	45
Education/Training/Conference	690	611
Depreciation	246,039	233,264
Office Utilities	3,014	3,648
Total Operating Expenses	<u>797,458</u>	<u>811,171</u>
Total Operating Income (Loss)	<u>214,229</u>	<u>165,858</u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	<u>2019</u>	<u>2018</u>
Non-Operating Revenues (Expenses)		
Realized Gain (Loss) on Sale of Assets	\$ (13,032)	\$ (13,842)
Unrealized gains (losses)	0	(32,864)
Interest income	<u>115,171</u>	<u>63,195</u>
Total Non-Operating Income (Loss)	<u>102,139</u>	<u>16,489</u>
Other Revenues and (Expenses)		
Sales of benefit units	<u>150,940</u>	<u>130,000</u>
Net Income	<u>467,308</u>	<u>312,347</u>
Total net position, beginning of year	<u>8,871,689</u>	<u>8,559,342</u>
Total net position, end of year	<u>\$ 9,338,997</u>	<u>\$ 8,871,689</u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019

Cash flows from operating activities	2019	2018
Cash received from customers	\$ 1,495,829	\$ 1,484,085
Cash paid to suppliers, including water	(749,473)	(833,297)
Cash paid to employees (including payroll taxes and benefits)	(343,741)	(302,516)
Net cash provided by (used in) operating activities	<u>402,615</u>	<u>348,272</u>
 Cash flows provided by (used in) financing activities		
Water benefit units proceeds	150,940	130,000
Refund of benefit units	<u>0</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>150,940</u>	<u>130,000</u>
 Cash flows provided by (used in) investing activities:		
Purchases of property and equipment (net of reimbursements)	(164,205)	(136,511)
Interest income	82,912	59,386
Maturities of U.S. Government Securities (par value)	2,025,000	1,710,000
Purchases of U.S. Government Securities	<u>(2,522,498)</u>	<u>(2,082,844)</u>
Net cash provided by (used in) investing activities	<u>(578,791)</u>	<u>(449,969)</u>
Net increase (decrease) in cash and cash equivalents	(25,236)	28,303
Cash and cash equivalents, beginning of year	<u>436,252</u>	<u>407,949</u>
Cash and cash equivalents, end of year	\$ <u><u>411,016</u></u>	\$ <u><u>436,252</u></u>
 Cash Balances		
Cash Collections	\$ 138,996	\$ 145,455
Cash Operations	126,742	260,734
Petty Cash	300	300
125 Plan Cash	8,589	8,075
Money Market	<u>136,389</u>	<u>21,418</u>
	\$ <u><u>411,016</u></u>	\$ <u><u>435,982</u></u>
 Reconciliations of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 214,229	\$ 165,858
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	246,039	233,264
Changes in assets and liabilities not current affecting cash:		
(Increase) Decrease in accounts receivable	542	297
(Increase) Decrease in inventory	9,674	(14,533)
Increase (Decrease) in account payable	(7,633)	23,753
Increase (Decrease) in other payables	<u>(60,236)</u>	<u>(60,367)</u>
	\$ <u><u>402,615</u></u>	\$ <u><u>348,272</u></u>

The accompanying notes are an integral part of these financial statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 3 (here in referred to as the District) is considered to be financially accountable. The District's financial statements include all of its operations. The District is a separately administered organization. The District has no component units. The District is a quasi-municipality governed by an elected six-member board.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the District as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the District does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The District is a special-purpose government engaged in a single governmental program (delivery of water to customers in the Mulvane, Kansas area).

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees, fines and forfeitures, and other charges to users of the District's services; (2) members deposits water meters. All other revenues and expenses not properly included with program revenues or meter deposits will be reported as other revenues and expenses.

The District has just one fund to present in the basic financial statements that accounts for water sales and service to customers of the District. This fund is reported as an enterprise fund.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when relate cash flows take place. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Reimbursements are reported as reductions to expenses or capital assets.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of gain (loss) on sales of assets, realized and unrealized gains and losses on investments, and investment income. Other revenues and expenses consist primarily of benefit units sold or refunded.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Budgets are adopted for internal use only and are not required to be published or approved by outside agencies. All budgets are prepared using the accrual basis of accounting.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued

4. Fund Types and Major Funds

Governmental funds: The District has no governmental funds.

Business-type funds: The District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Inventory

Inventory consist of pipe, meters and other materials used by the District in its daily operations and is valued at cost which is based upon invoices received at the time the inventory item is paid.

8. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred. Historically, the District has received reimbursements from customers (i.e. line extensions) which are accounted for as reductions of costs.

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Equipment and Lines	40 years
Building, Pump Station, and major projects	40 years
Furniture and equipment	3 - 10 years
Tower fencing	7 - 20 years

9. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

11. Revenues

Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

12. Deferred Outflows and Inflows of Resources

The District does not have any deferred outflows or inflows to report at the current time.

13. Restricted and Unrestricted Resources

The District's policy is to first expend restricted resources should the expenditure qualify for the restricted purpose before expending unrestricted funds.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments

Deposits and Investments - K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2019.

At year-end the carrying amount of the District's deposits (less cash on hand of \$300) was \$410,716 for 2019 and \$435,682 for 2018 respectively. The bank balance was \$422,116 for 2019 and \$446,054 for 2018 respectively. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$250,000 for 2019 and \$250,000 for 2018 respectively, was covered by FDIC insurance and \$454,530 for 2019 and \$196,054 for 2018 respectively was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Investments - K.S.A. 12-1675 authorizes the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

As of December 31, 2019 and 2018, the District held U.S. Government Securities consisting of Federal Farm Credit Bank, Federal Home Loan Bank and U.S. Treasury Notes. The District does not make adjustments for temporary market fluctuations. For the majority of these securities maturity occurs within two year of acquisition. The investments are carried fair value. When these investments mature the gain or loss on the investment is reported in the financial statements under non-operating income. Interest rates on these investments range from 1.10% to 4.375% for 2019 and 0.75% to 4.375% for 2018. The District investments are reported at amortized cost or at fair value determined by quoted market prices.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE B. - ASSETS, LIABILITIES AND NET POSITION - continued

1. Cash and Investments - continued

Fair Value is based upon market values available from open markets.

Investment Type			2019		Rating
	Cost	Fair Value	Maturities in years		
			Less than 1 year	1 to 2 years	
Federal Farm Credit	\$ 1,141,424	\$ 1,146,486	\$ 850,000	\$ 296,486	SP-AA+
Federal Home Loan Mtg.	1,257,557	1,255,469	450,000	805,469	SP-AA+
Fannie Mae	197,358	199,436	199,436	0	SP-AA+
U.S. Treasury Note	1,909,738	1,918,789	500,000	1,418,789	SP-AA+
U.S. Saving Bond	<u>75</u>	<u>75</u>	<u>0</u>	<u>75</u>	SP-AA+
	<u>\$ 4,506,152</u>	<u>\$ 4,520,255</u>	<u>\$ 1,999,436</u>	<u>\$ 2,520,819</u>	
Unrealized gain (loss)	<u>\$ (13,032)</u>				

	2018				
	Maturities in years				
			Less than	1 to 2	
Investment Type	Cost	Fair Value	1 year	years	Rating
Federal Farm Credit	\$ 1,041,472	\$ 1,041,338	\$ 0	\$ 1,041,338	SP-AA+
Federal Home Loan Mtg.	1,589,001	1,576,124	1,122,702	453,422	SP-AA+
Freddie Mack	199,728	198,982	198,982	0	SP-AA+
Fannie Mae	500,877	497,593	399,360	98,233	SP-AA+
U.S. Treasury Note	690,533	690,810	197,780	493,030	SP-AA+
U.S. Saving Bond	75	75	0	75	SP-AA+
	<u>\$ 4,021,686</u>	<u>\$ 4,004,922</u>	<u>\$ 1,918,824</u>	<u>\$ 2,086,098</u>	
Unrealized gain (loss)	<u>\$ (16,764)</u>				

2. Accounts Receivable

Accounts receivable	2019	2018
Currently due from customers	\$ 114,036	\$ 114,428
Past due from customers	11,649	9,932
Credit balances	<u>(12,692)</u>	<u>(10,825)</u>
	<u>\$ 112,993</u>	<u>\$ 113,535</u>

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

3. Inventories

Inventory is valued at costs and is used internally and not for resell.

<u>Inventories</u>	<u>2019</u>	<u>2018</u>
Pipe, couplings, fittings, meters ect.	\$ 59,441	\$ 69,115

4. Capital Assets are detailed as follows:

	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets				
Land	\$ 96,596	\$ 0	\$ 0	\$ 96,596
Utility Plant	7,575,168	91,090	63,463	7,602,795
Improvements	48,549	1	0	48,550
Equipment	479,291	73,115	0	552,406
Office Furniture & Equipment	75,468	0	0	75,468
Vehicles	172,722	0	0	172,722
Building and Equipment	501,785	0	0	501,785
Totals at cost	8,949,579	164,206	63,463	9,050,322
Accumulated depreciation:	4,498,822	246,039	0	4,744,861
Net Fixed Assets	\$ 4,450,757	\$ (81,833)	\$ 63,463	\$ 4,305,461

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets				
Land	\$ 96,596	\$ 0	\$ 0	\$ 96,596
Utility Plant	7,492,962	82,206	0	7,575,168
Improvements	48,549	0	0	48,549
Equipment	468,042	11,249	0	479,291
Office Furniture & Equipment	69,522	5,946	0	75,468
Vehicles	135,612	37,110	0	172,722
Building and Equipment	501,785	0	0	501,785
Totals at cost	\$ 8,813,068	136,511	0	8,949,579
Accumulated depreciation:	4,265,558	233,264	0	4,498,822
Net Fixed Assets	\$ 4,547,510	\$ (96,753)	\$ 0	\$ 4,450,757

There were no impairment of capital assets as described above as of December 31, 2018 and 2017

5. Compensated Absences

The District pays for unused vacation at the anniversary date of employment and records the expenses as an expense for that year. The District does not pay out unused sick leave.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The District adopts an internal budget for the support and maintenance of the District.

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the years ended December 31, 2019.

NOTE D. - OTHER INFORMATION

1. Defined Contribution Pension Plan

The District established a Simple IRA program beginning in 1999 for qualified employees. The District matches employee contributions to the plan up to 3 percent of compensation. The District's contribution for the years ended December 31, 2019 and 2018 was \$8,264 and \$7,302 respectively.

2. Risk Management

The District is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

3. Concentrations of Risk

The District purchases 100 percent of its water from the City of Wichita.

4. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. As of December 31, 2019 or 2018 the District did not have any restricted net positions.

5. Subsequent events

Management has evaluated events through February 20, 2020 and has determined there are no significant events that require disclosure.

SUPPLEMENTARY INFORMATION

Rural Water District Number 3**Sedgwick County**

Mulvane, Kansas

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

For the Year Ended December 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 805,574	\$ 761,996	\$ (43,578)
Monthly minimum fees	694,800	706,977	12,177
Penalties	21,000	21,030	30
Other fees and receipts	2,400	5,284	2,884
Total Operating Income	1,523,774	1,495,287	(28,487)
Cost of Sales			
Cost of Water	0	8,551	(8,551)
Cost of Pumping	4,440	3,305	1,135
Cost of Chlorination	2,760	0	2,760
Cost of Water-Wichita	504,022	468,123	35,899
Clean Drinking Water	4,800	3,621	1,179
Total Cost of Sales	516,022	483,600	32,422
Gross profit	1,007,752	1,011,687	3,935
Operating Expenses			
Wages - Total	271,200	247,544	23,656
Meter Readers	30,240	30,716	(476)
Payroll Tax Accountant	23,400	19,917	3,483
SIMPLE Match	8,400	8,264	136
Fuel & Vehicle Maint.	14,880	12,756	2,124
One Call Locations	2,760	3,020	(260)
Legal Fees	27,120	22,940	4,180
Engineering Fees	6,000	6,155	(155)
Accounting & Auditing	14,760	5,746	9,014
Contract Repairs	19,200	13,011	6,189
Repair Supplies	14,160	13,717	443
Tower Lights	2,760	3,588	(828)
Propane	3,360	2,540	820
Telephone	5,280	5,061	219
Office & Software	11,880	16,768	(4,888)
Postage	9,960	9,667	293
Insurance & Bonds	35,500	29,917	5,583
Employee Benefits-Insurance	55,200	68,016	(12,816)
Miscellaneous	4,560	8,924	(4,364)
Christmas & Meetings	7,200	9,185	(1,985)
Reimbursed Expenses	4,600	4,750	(150)
Dues and Fees	5,040	5,500	(460)
Real Estate Tax	2,900	13	2,887
Education/Training/Conf	1,200	690	510
Depreciation	240,000	246,039	(6,039)
Office Utilities	3,600	3,014	586
Total Operating Expenses	825,160	797,458	27,702
Net Operating Income (Loss)	182,592	214,229	31,637

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-Operating Revenues (Expenses)			
Gain (Loss) on Sale of Assets	\$ 0	\$ (13,032)	\$ (13,032)
Interest income	<u>80,400</u>	<u>115,171</u>	<u>34,771</u>
Total Non-Operating Income (Loss)	<u>80,400</u>	<u>102,139</u>	<u>21,739</u>
Other Revenues and (Expenses)			
Sales of benefit units	<u>0</u>	<u>150,940</u>	<u>150,940</u>
Total Other Revenues and (Expenses)	<u>0</u>	<u>150,940</u>	<u>150,940</u>
Net Income	\$ <u><u>262,992</u></u>	\$ <u><u>467,308</u></u>	\$ <u><u>204,316</u></u>

See Independent Auditor's Report.

Rural Water District Number 3**Sedgwick County**

Mulvane, Kansas

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

For the Year Ended December 31, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 781,210	\$ 762,404	\$ (18,806)
Monthly minimum fees	677,600	695,027	17,427
Penalties	21,000	20,230	(770)
Other fees and receipts	2,400	6,127	3,727
Total Revenues	1,482,210	1,483,788	1,578
Cost of Sales			
Cost of Water Purchases	513,890	506,759	7,131
Gross profit	968,320	977,029	8,709
Operating Expenses			
Wages - Total	254,520	221,818	32,702
Meter Readers	28,800	30,157	(1,357)
Payroll Tax Accountant	21,960	18,239	3,721
SIMPLE Match	8,400	7,302	1,098
Fuel & Vehicle Maint.	14,880	13,081	1,799
One Call Locations	2,160	2,785	(625)
Legal Fees	22,800	27,073	(4,273)
Engineering Fees	3,600	11,218	(7,618)
Accounting & Auditing	13,200	14,674	(1,474)
Contract Repairs	19,200	74,866	(55,666)
Repair Supplies	14,160	12,310	1,850
Tower Lights	2,760	2,798	(38)
Propane	3,360	2,699	661
Telephone	5,280	4,488	792
Office & Software	15,600	11,870	3,730
Postage	12,000	9,958	2,042
Insurance & Bonds	35,500	29,586	5,914
Employee Benefits-Insurance	63,960	55,157	8,803
Miscellaneous	1,560	4,526	(2,966)
Christmas & Meetings	7,200	9,455	(2,255)
Reimbursed Expenses	4,600	4,500	100
Dues and Fees	6,000	5,043	957
Real Estate Tax	2,900	45	2,855
Education/Training/Conference	1,200	611	589
Depreciation	240,000	233,264	6,736
Office Utilities	3,240	3,648	(408)
Total Operating Expenses	808,840	811,171	(2,331)
Net Operating Income (Loss)	159,480	165,858	6,378

See Independent Auditor's Report.

Rural Water District Number 3

Sedgwick County

Mulvane, Kansas

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Operating Revenues (Expenses)			
Gain (Loss) on Sale of Assets	\$ 0	\$ (13,842)	\$ (13,842)
Unrealized gains (losses)	0	(32,864)	(32,864)
Interest income	<u>60,000</u>	<u>63,195</u>	<u>3,195</u>
Total Non-Operating Income (Loss)	<u>60,000</u>	<u>16,489</u>	<u>(43,511)</u>
Other Revenues and (Expenses)			
Sales of benefit units	<u>0</u>	<u>130,000</u>	<u>130,000</u>
Net Income	\$ <u><u>219,480</u></u>	\$ <u><u>312,347</u></u>	\$ <u><u>92,867</u></u>

See Independent Auditor's Report.